

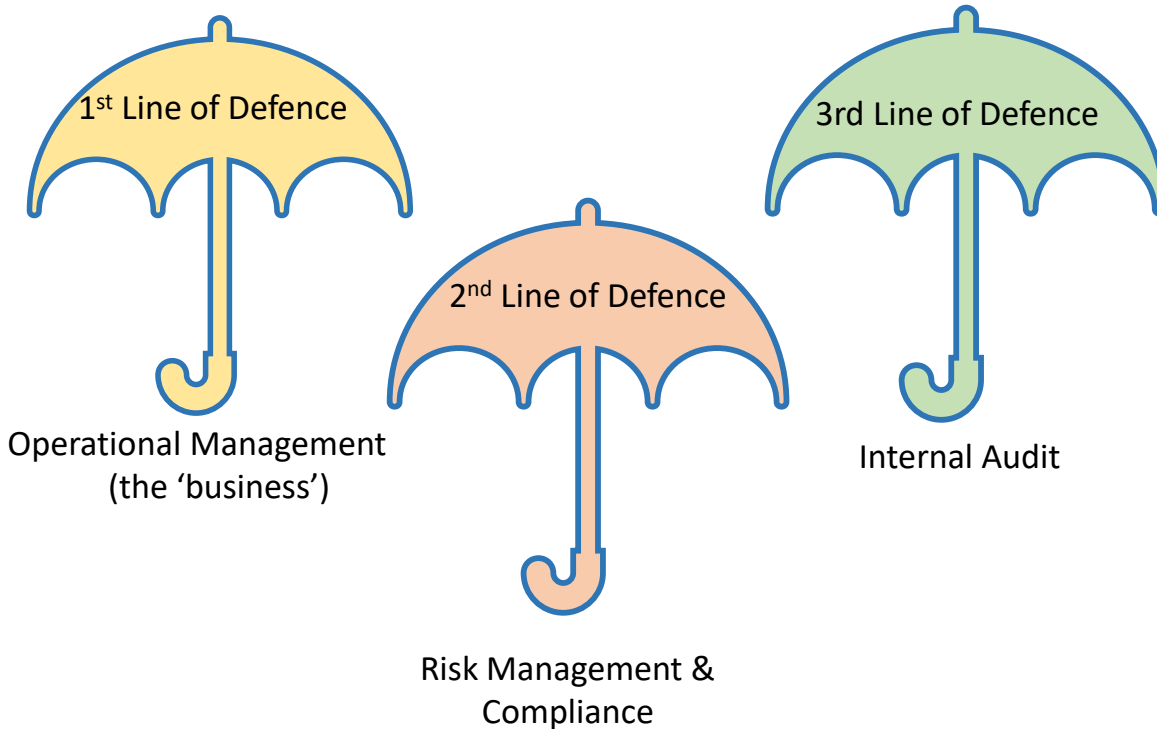
The 3 Lines (of Defence) Model

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THE THREE LINES OF DEFENCE (3LD)

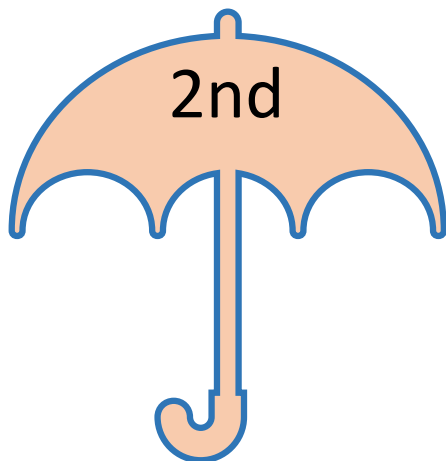









BENEFITS:

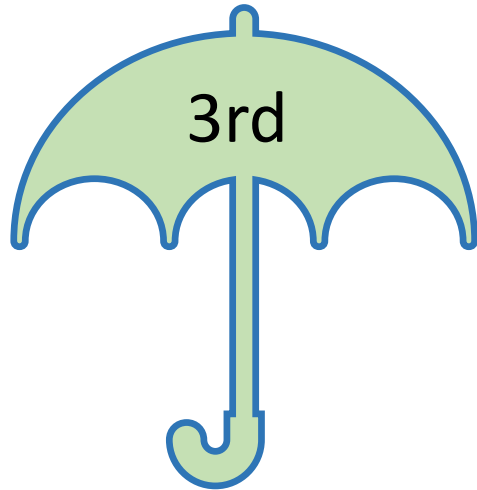
- Appropriate allocation of risk ownership
- Removal of any unnecessary duplication of work.
- Improved culture across the organisation by enhancing the understanding of risk and control.
- Improved reporting to senior management through a co-ordinated approach.








-  Ownership of risks and controls
-  Main responsibility for risk management
-  Risk identification and assessment
-  Operating an effective risk and control environment
-  Ensuring adequate resources, tools and training are available
-  Promote and maintain a good risk culture

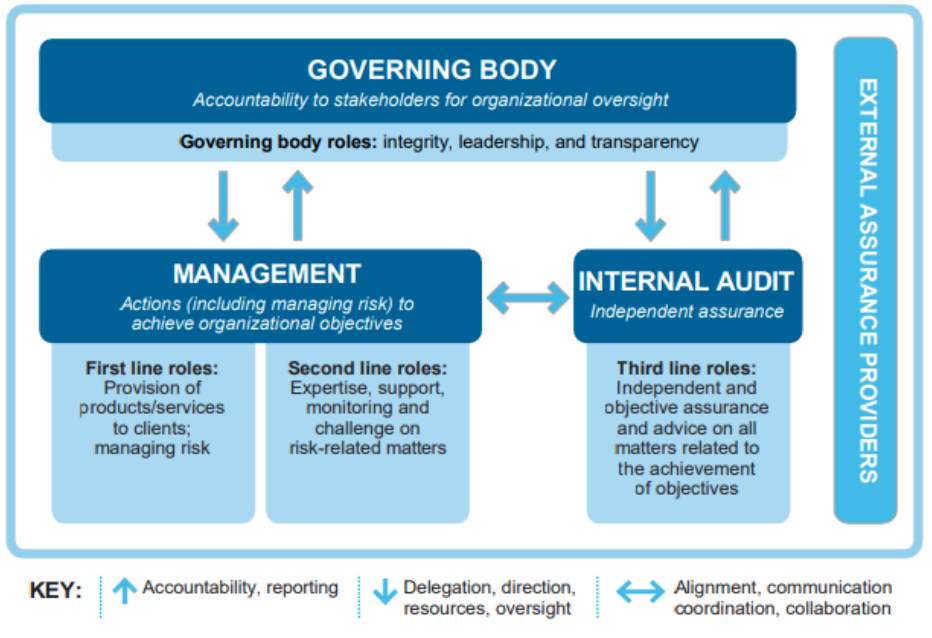


-  Oversee or specialise in compliance and/or risk management
-  Develop and implement the risk management framework
-  Ensure consistency of risk policies
-  Independent from 1st Line
-  Review and challenge 1st Line
-  Develops, agrees and monitors risk appetite
-  Independent reporting escalation to executive management



-  Provide independent assurance
-  Assures the effectiveness & adequacy of the risk management Framework
-  Independent from 1st and 2nd Lines
-  Provide consultancy to 1st and 2nd Lines
-  Ensure Framework is fit for purpose

The IIA's Three Lines Model



Emphasis on:

- The importance of good coordination and communication between the different lines of defence.
- The necessity for a direct relationship between the governing body and the first and second line managers.
- Reinforcement of the direct relationship between the governing body and the internal audit in the third line.

- 1 Governance**
- 2 Governing Body Roles**
- 3 Management and 1st and 2nd Line Roles**
- 4 3rd Line Roles**
- 5 3rd Line Independence**
- 6 Creating and Protecting Value**

Principle 1 – Governance

Appropriate structures and processes

Enable accountability

Actions to achieve objectives and assurance



Principle 2 – Governing body roles:

Ensure structures are in place for effective governance

Activities are aligned with the interests of stakeholders

Delegate responsibility and provide resources to management

Ensure legal, regulatory and ethical expectations are met

Establish and oversee independent internal audit



Principle 3 – Management and first and second line roles:

The management's responsibility is to achieve the company objectives

Comprises both 1st and 2nd line management roles

The first line roles are aligned with the delivery of products or services and also includes support functions

Second line roles provide assistance with managing risk





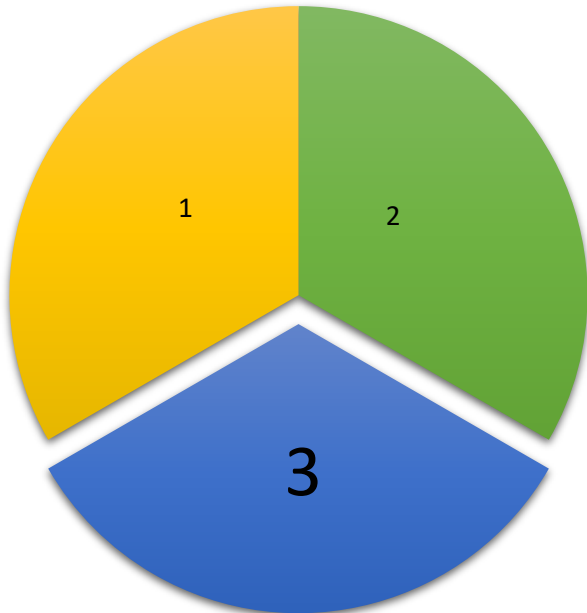
Principle 4 – Third line roles:

Internal audit provides independent assurance

Advises on the adequacy and effectiveness of the risk management function

Reports to management and the governing body

Principle 5 – Third line independence:



Internal audit is independent from the responsibilities of management

Independence is established through its accountability to the governing body

Principle 6 – Creating and protecting value:



All roles working together collectively

Communication, cooperation and collaboration are key

THREE LINE MODEL - 4 KEY ROLES



THE GOVERNING BODY

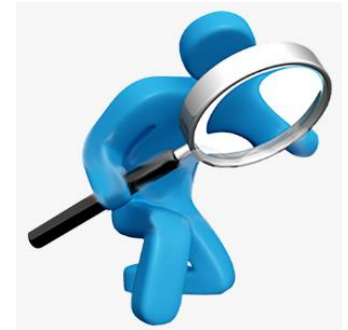


MANAGEMENT & FIRST LINE ROLES




SECOND LINE ROLES


INTERNAL AUDIT



KEY ROLE - GOVERNING BODY




Accepts accountability to stakeholders for oversight of the organization




Engages with stakeholders to monitor their interests and communicates on the achievement of objectives




Nurtures a culture promoting ethical behaviour and accountability



Establishes structures and processes for governance




Delegates responsibility and provides resources to management for achieving objectives



Determines appetite for risk and has an oversight of risk management



Maintains oversight of compliance



Establishes and oversees an independent internal audit function





Leads and directs actions



Maintains a continuous dialogue with the governing body



Reports on planned, actual, and expected outcomes linked to the objectives of the organization, and on risk.



Establishes and maintains appropriate structures and processes for the management of operations and risk



Ensures compliance



KEY ROLE - SECOND LINE ROLES



Provides complementary expertise, support, monitoring, and challenge



Provides support to the development, implementation, and continuous improvement of risk management practices



The achievement of risk management objectives, such as: compliance with laws and regulations; internal control; information and technology security and sustainability



Provides analysis and reports on the adequacy and effectiveness of risk management





Maintains primary accountability to the governing body



Independence from the responsibilities of management



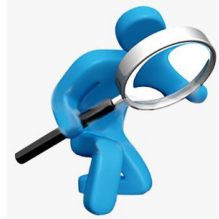
Communicates independent and objective assurance and advice to management and the governing body on the adequacy and effectiveness of governance and risk management



Reports impairments to independence and objectivity to the governing body and implements safeguards as required.



Management provides assurance on planned, actual, and forecast outcomes on risk, and risk management by drawing on direct expertise



Because of internal audit's independence from management, the assurance it provides carries the highest degree of objectivity and confidence

Further assurance may also be drawn from external providers.



Those with second line roles provide additional assurance on risk-related matters



The governing body relies on reports from management, internal audit, and others to exercise oversight and achievement of its objectives



- Increased active and collaborative exchange, giving and receiving feedback and developing based on the feedback received
- Cooperation, with all roles involved working closely together
- A lasting focus on the implementation of business objectives, search for the best way to achieve them
- Innovation: Tackling problems creatively and using new techniques
- Partial automation of typical 2nd line activities and some 1st line compliance activities
- Coordination and design of processes to ensure good perception of responsibility for design of the risk management processes

- ✓ Fully automated system allowing timely reviews of risks and controls
- ✓ Custom fields can show where in the 3 lines model the control sits
- ✓ Categories, crosscuts and record links, to ensure alignment of risks across the organisation
- ✓ View Only access to staff members who would have an interest in the risks to allow collaborative working and transparency
- ✓ Ensure resources are allocated, and recorded, to allow achievement of control measures
- ✓ Automated Risk Appetite function built within JCAD CORE 5
- ✓ Add business objectives into the system either at a corporate level, or at a service level
- ✓ Engage with stakeholders through different reports and/or Power BI with a JCAD CORE 5 API Licence
- ✓ Internal Auditors can have access to view risks and controls for their risk-based investigations
- ✓ A separate Audit Register can be added to track recommendations and follow-ups
- ✓ Risk Strategy, Policy and Frameworks can be uploaded to the system
- ✓ Upload documents within the Control area to show assurance
- ✓ JCAD Core personal consultancy to assist 2nd line roles in the development and continuous improvement of their risk management processes

**Thank you for
attending today**

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